

The Challenge

USAID furthers America's foreign policy interests in Ecuador by consolidating and advancing democratic gains, supporting trade and free markets, providing alternative development to counteract the drug trade, promoting more equitable access to services to improve the lives of its citizens and conserving globally important biodiversity. USAID actively participates in bilateral and multilateral groups to analyze the root causes of instability. This instability includes: government control of resources, poor education, an economy reliant on extraction of natural resources, and weak institutions. Clearing Millennium Challenge Account (MCA) hurdles creates unique challenges for Ecuador. USAID assistance will focus on helping Ecuador meet the MCA hurdles of ruling justly and economic freedom. These latter indicators remain challenging for Ecuador to meet due to low government investment in the health and education sectors.

Objectives, Sectors and Workforce

Mission Director: Alexandria Panehal

MCA Status: Currently Not Eligible

PEPFAR Focus Country: No

Provided or Received Services From Other Missions: Received

Program Budget (Appropriations by Objective)

	FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07	2005 SO Performance Score	Direct SO Admin. Cost Ratio
518-001 Biodiversity Conservation	5,011	4,629	4,598	0	N/A	1.43	Exceeded
518-011 Southern Border Development	1,988	1,488	990	1,644	-17.3%	1.03	Met
518-012 Democracy and Conflict Prevention	7,628	7,255	2,970	0	N/A	1.04	Met
518-013 Northern Border Development	14,912	14,620	11,425	0	N/A	1.17	Exceeded
518-014 Economic Opportunities	4,921	6,626	1,980	0	N/A	1.42	Exceeded
518-XX1 Democratic Governance and Local Development	0	0	0	5,178	N/A	N/A	N/A
518-XX2 Alternative Development Program	0	0	0	8,400	N/A	N/A	N/A
518-xx3 Natural Resources, Trade and Competitiveness	0	0	0	6,822	N/A	N/A	N/A
Country Total	34,460	34,618	21,963	22,044	-36.0%		

Program Budget (Appropriations by Account)

	FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07
Andean Counterdrug Initiative	14,912	14,620	11,425	8,400	-43.7%
Child Survival and Health Programs Fund	0	0	0	2,000	N/A
Development Assistance	7,087	6,609	6,578	5,644	-20.4%
Economic Support Fund	12,461	13,389	3,960	6,000	-51.8%
Total	34,460	34,618	21,963	22,044	-36.0%

Program Budget by Sector and Account

	FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07	
Agriculture and Environment	ACI	3,600	8,620	7,000	3,000	-16.7%
	DA	5,011	4,629	4,598	3,644	-27.3%
	ESF	650	1,288	990	1,644	152.9%
Economic Growth	ACI	2,012	4,000	2,325	2,000	-0.6%
	DA	1,871	1,980	990	1,000	-46.6%
	ESF	3,050	4,646	990	2,178	-28.6%
Human Rights	ACI	0	0	100	0	N/A
	DA	120	0	0	0	N/A
	ESF	200	300	0	0	N/A
Democracy and Governance	ACI	2,200	2,000	2,000	3,400	54.5%
	DA	85	0	990	1,000	1,076.5%
	ESF	7,611	7,155	1,980	2,178	-71.4%
Child Survival and Maternal Health	ACI	7,100	0	0	0	N/A
	CSH	0	0	0	1,500	N/A
	ESF	950	0	0	0	N/A
Other Infectious Diseases	CSH	0	0	0	500	N/A
Total	34,460	34,618	21,963	22,044	-36.0%	

Workforce

	FY 2004	FY 2005	FY 2006	FY 2007	Percent Change FY 04-07
US Direct Hires	5	6	6	6	20.0%
US Non Direct Hires	4	4	6	6	50.0%
Foreign Nationals	32	36	36	39	21.9%
Total	41	46	48	51	24.4%

Operating Expense	FY 2004 (\$000)	FY 2005 (\$000)	FY 2006 (\$000)	FY 2007 (\$000)	Percent Change FY 04-07
Salaries and benefits	934	1,183	1,080	1,110	18.8%
Travel	222	145	115	112	-49.5%
Transportation of things	15	93	36	18	20.0%
Rent	75	82	63	110	46.7%
Security	52	54	56	59	13.5%
Equipment	38	55	0	10	-73.7%
ICASS - Operating Expense only	118	117	125	130	10.2%
Other Operating Expense	376	321	145	183	-51.3%
Total OE Budget	1,830	2,050	1,620	1,732	-5.4%
US direct hire salary and benefits	748	802	846	938	25.4%
Program Funded Administrative Expenses				1,479	
Country Total Administrative Budget				4,149	
Percent of Bureau OE Total					4.2%

Mission Summary	FY 2004	FY 2005	FY 2006	FY 2007
Program per US Direct Hire (\$000)	6,892	5,770	3,661	3,674
Program per All US (\$000)	3,829	3,462	1,830	1,837
Program per Position (\$000)	840	753	458	432
Operating Expense as % of Program Funding				7.9%
Program Funded Admin Expense as % of Total Admin				35.6%
Total Admin Expense as % of Program Funding				18.8%

Other Major Donors:

Bilateral: Spain, Japan, Germany, Switzerland, Belgium, Canada, China, and Netherlands

Multilateral: World Bank, Inter-American Development Bank, European Union, Organization of American States (OAS), Andean Development Corporation (CAF), and UN Development Program (UNDP).

Ecuador PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2004 Actual	FY 2005 Actual	FY 2006 Current	FY 2007 Request
Andean Counterdrug Initiative	14,912	14,620	11,425	8,400
Child Survival and Health Programs Fund	0	0	0	2,000
Development Assistance	7,087	6,609	6,578	5,644
Economic Support Fund	12,461	13,389	3,960	6,000
Total Program Funds	34,460	34,618	21,963	22,044

STRATEGIC OBJECTIVE SUMMARY

518-001 Biodiversity Conservation				
DA	5,011	4,629	4,598	0
518-011 Southern Border Development				
ESF	1,988	1,488	990	1,644
518-012 Democracy and Conflict Prevention				
DA	205	0	990	0
ESF	7,423	7,255	1,980	0
518-013 Northern Border Development				
ACI	14,912	14,620	11,425	0
518-014 Economic Opportunities				
DA	1,871	1,980	990	0
ESF	3,050	4,646	990	0
518-XX1 Democratic Governance and Local Development				
CSH	0	0	0	2,000
DA	0	0	0	1,000
ESF	0	0	0	2,178
518-XX2 Alternative Development Program				
ACI	0	0	0	8,400
518-xx3 Natural Resources, Trade and Competitiveness				
DA	0	0	0	4,644
ESF	0	0	0	2,178

Mission Director,
Alexandria Panehal

Data Sheet

USAID Mission:	Ecuador
Program Title:	Biodiversity Conservation
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-001
Status:	Continuing
Planned FY 2006 Obligation:	\$4,598,000 DA
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$0
Year of Initial Obligation:	1997
Estimated Year of Final Obligation:	2006

Summary: The program conserves biodiversity in three globally important areas: 1) 1,200,000 hectares of indigenous territory in northern and eastern Ecuador (Awa, Cofan and Huaorani, Kichua, Chachi) through territorial consolidation, capacity building, and financial sustainability; 2) the 133,000 km² Galapagos Marine Reserve by supporting the implementation of the marine zoning plan, strengthening the governance of the Reserve, reducing illegal fishing and over-fishing, increasing tourism's contributions to conservation, and supporting public outreach; and 3) conservation of 2,000,000 hectares of the Tropical Andes by consolidating the management of four protected areas, establishing public-private conservation partnerships and developing sustainable financing for conservation activities.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Sustainable Management of Natural Resources and Biodiversity (\$4,598,000 DA). In northern Ecuador, indigenous peoples are extremely poor and vulnerable to the growing spillover effects of narcotrafficking and related violence from Colombia. To address this, USAID supports the efforts of lowland indigenous people to consolidate control over their territories, strengthen their institutions, and develop sustainable and licit sources of income. Over 1,000,000 hectares of indigenous territories will be under adequate management, with secure land use rights or title, by 2007.

USAID supports alliances between indigenous groups, the private sector and civil society organizations to consolidate the financial, political and organizational strength of indigenous institutions. Household incomes are increased through at least four viable microenterprises or through payments for environmental services. USAID also provides technical assistance in strategic planning, financial and natural resources management to five partner organization training 1,500 indigenous people.

In the Galapagos, USAID supports the physical demarcation of 1,667 km of the islands coastal zoning. Assistance in conflict management and institutional strengthening helps to consolidate the functioning of the Marine Reserve governance system. USAID's public outreach activities promote greater public support for conservation efforts. Collaborative efforts among various USAID programs will provide technical and financial assistance to improve the islands' financial services by merging a local cooperative with one from continental Ecuador, promote increased public participation in local government decisions, and operate a community-based ecotourism activity on Isabela Island.

In the Tropical Andes, USAID assistance is helping to create a functioning system of community park guards, who are being trained, equipped, and sustainably financed, in four protected areas. USAID is providing technical assistance to help stakeholders along 120 km of conflictive park boundaries resolve their disputes. Elsewhere, private landowners in three sites are being trained

in land usage to improve the management of at least 10,000 hectares. Additionally, USAID is assisting at least three municipal governments apply policies that promote sound environmental management in their jurisdictions. USAID will participate as appropriate in the Amazon Basin Initiative.

These programs will enhance cooperation between the United States and Ecuador under the Environmental Cooperation Agreement (ECA) of the bilateral Free Trade Agreement currently being negotiated. USAID is assisting Ecuadorian institutions charged with implementing, monitoring, and adjudicating the ECA in order to promote transparency, technically sound decisions, and public participation (including access for indigenous groups and other minorities). Specifically with the ECA, USAID will help the Government of Ecuador (GOE) address conservation and sustainable use of biodiversity, voluntary mechanisms to improve environmental management, (including partnerships with local communities, businesses, and NGOs), and effective enforcement of laws and regulations.

Prime implementers: Chemonics International, World Wildlife Fund, The Nature Conservancy, and others to be determined competitively

FY 2007 Program:

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

Performance and Results: With USAID support, three indigenous groups improved the management of 225,336 hectares and gained greater control over 410,412 hectares of their ancestral territories. They reached agreements with their neighbors and demarcated 159 km of their most vulnerable boundaries. Over 567,000 hectares in indigenous territories reached adequate management, securing land rights, demarcating vulnerable boundaries, controlling land use, and developing participatory management plans. Indigenous organizations raised \$675,907 from other donors, financial organizations or generated from environmentally sound economic activities. Over 1,280 indigenous people have directly participated in commercially viable sustainable enterprises (handicrafts, animal husbandry, agro-forestry, and sustainable forestry). The indigenous Cofan Guards program controls 323,700 hectares of Cofan territory, helping to reduce poaching, illegal logging, fishing with dynamite and invasions. Recognizing their effectiveness, the Ministry of Environment has provided the Cofan guards with the authority to confiscate equipment used for illegal activities in their territory.

The country's turbulent political situation slowed progress in the Galapagos. USAID and its partners were able to achieve greater institutionalization of the park management and the return of the fishing sector to the management dialogue process. The GOE is supporting a more professional and transparent selection process for the Galapagos Park Director. With USAID assistance, the GOE is also developing a number of economic alternatives for fishermen and their families, an effort that has reduced conflicts.

In the Tropical Andes, highland communities adjacent to the 400,000 hectares Cayambe-Coca Reserve signed agreements to protect the area and are funding community park guards, who provide extension services and control illegal activities. The private sector also provided key support for conservation. For example, the Quito Water Utilities Company agreed to protect water sources, conserve sensitive wetlands, and respect park and community limits as it develops new infrastructure. A key to all activities is sustainable financing. In 2005, the Quito Water Fund (FONAG), a private USAID-supported endowment, invested \$424,000 of its own funds and leveraged an impressive \$690,700 in matching funds to directly support conservation activities. USAID supported programs also leveraged a commitment of up to \$3,000,000 from the Global Environment Facility (GEF) to implement the financial strategy in the national park system and capitalize funds for long term financing.

By FY 2007, at least three targeted indigenous groups will have a minimum of 1,000,000 hectares under participatory natural resource management plans and sustainable financing mechanisms.

The Galapagos governance system and law enforcement will be effectively functioning and the tourism sector will be implementing best practices. Ecuadorian organizations will consolidate the conservation of over 556,000 hectares in the Tropical Andes, and the Water Fund will invest at least \$260,000 per year in perpetuity to conserve watersheds.

US Financing in Thousands of Dollars

Ecuador

518-001 Biodiversity Conservation	DA	ESF
Through September 30, 2004		
Obligations	46,539	2,996
Expenditures	38,984	2,893
Unliquidated	7,555	103
Fiscal Year 2005		
Obligations	4,620	-3
Expenditures	5,463	100
Through September 30, 2005		
Obligations	51,159	2,993
Expenditures	44,447	2,993
Unliquidated	6,712	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2006 NOA		
Obligations	4,598	0
Total Planned Fiscal Year 2006		
Obligations	4,598	0
Proposed Fiscal Year 2007 NOA		
Obligations	0	0
Future Obligations	0	0
Est. Total Cost	55,757	2,993

Data Sheet

USAID Mission:	Ecuador
Program Title:	Southern Border Development
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-011
Status:	Continuing
Planned FY 2006 Obligation:	\$990,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$1,644,000 ESF
Year of Initial Obligation:	1999
Estimated Year of Final Obligation:	2007

Summary: The goal of the Southern Border Development Program is to improve social and economic conditions of inhabitants along the Peru-Ecuador border. USAID program activities include health/nutrition education and construction and improvement of public health infrastructure (potable water systems, sanitation units, garbage collection, and recycling systems) as well as strengthening local community capabilities to secure land titles and establish natural resource management plans in the protected area of the Kutuku Mountain Range.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Access to Clean Water and Sanitation (\$600,000 ESF). USAID is expanding access to social services (e.g. potable water, sanitation, and garbage collection), benefiting over 6,000 people at the community and village levels. To manage and maintain the water systems, the program ensures that these communities elect water boards, whose main goal is to achieve sustainability of the systems. Four potable water systems are being built or improved, along with 300 new or improved sanitation units (both school and family latrines), and one new or improved garbage collection system. By the end of the project in 2008, the program will have directly contributed to a 60% increase in the integrated management of solid waste disposal in the four program provinces (Loja, El Oro, Morona Santiago and Zamora Chinchipe) and a 13% increase nationally. In all communities where water systems, sanitation units and solid waste management systems are established, there will be an integrated approach, including sanitation, environmental education and strengthening of community and municipal organizations to sustain the systems. During this fiscal year, this component will be implemented only in Loja and Morona Santiago provinces. Principal implementer: CARE International.

Improve Sustainable Management Of Natural Resources and Biodiversity (\$390,000 ESF). USAID provides training to a group of local indigenous technicians in land titling methodology which will assure that an additional 10,000 hectares are titled. Also, USAID is developing natural resource management plans for an additional 10,000 hectares of communal land. The number of beneficiaries under this component will be approximately 2,000. Principal Implementer: CARE International

FY 2007 Program:

Improve Access to Clean Water and Sanitation (\$1,000,000 ESF). USAID will continue supporting access to social services (e.g. potable water, sanitation, and garbage collection), benefiting over 10,000 people at the community and village levels. To sustain the systems, these communities will elect water boards, whose main goal will be to achieve sustainability of the systems. Seven potable water systems will be built or improved, along with 400 new or improved sanitation units, and two new or improved garbage collection systems. In all communities where water systems, sanitation units and solid waste management systems are established, sanitation, environmental education, and strengthening of community and municipal organizations will be

integrated. This component will be implemented in Morona Santiago, Zamora Chinchipe and Loja provinces. Principal implementer: CARE International.

Improve Sustainable Management of Natural Resources and Biodiversity (\$644,000 ESF). USAID will consolidate training to a group of local indigenous technicians in land titling methodology, which will assure that an additional 15,000 hectares are titled. Also, USAID will develop natural resource management plans for an additional 15,000 hectares of communal land. The number of beneficiaries under this component will be approximately 3,000. The program will continue assisting small scale farmers to harvest timber with minimum environmental impact. Emphasis will be given to strengthen the quality of agricultural, livestock and forestry production and the integration of these into local commerce. Special emphasis will be placed on strengthening the local capacity of communities and associations of farmers, foresters, artisans and indigenous federations for natural resource management. This component will be implemented in Morona Santiago and Loja provinces. Principal implementer: CARE International

Performance and Results: As a result of USAID activities, strong partnerships have been created with implementing nongovernmental organizations and local governments resulting in an expansion and increased availability of social services. In FY 2005, 10 potable water systems, and 463 sanitation units (latrines) were constructed or improved, and five garbage collection systems were built. Approximately 71,000 new hectares of communal indigenous land were titled, and 40,000 new hectares of land are under natural resource management plans, which will contribute to the conservation of a fragile area of the Ecuadorian jungle. Several Municipalities have improved their ability to deliver quality services and thereby demonstrated to local communities the benefits of good governance. In FY 2005, four local governments improved their tax collection mechanisms and established better control procedures in warehouses, eliminating opportunities for corruption and improving resource management. Six local governments have implemented consultative processes with the participation of approximately 2,500 citizens in their role as community water board members and also when participating on the Municipal Development Committees. Furthermore, local communities are actively participating and contributing counterpart (basic construction materials, land, transportation, and their labor) in the planning and construction of community potable water systems and solid waste management systems, getting practical and first hand experience in responsible democratic action.

The improved access to potable water has had positive impacts on the educational achievements of thousands of children. There have been significant increases in school attendance due to reduced incidence of diarrheal diseases among the children that now have access to potable water, e.g. in the community of Chahuarpamba, the school teacher estimated that children's attendance increased by at least 70%. With improved aquaculture production and family gardens, natural resource management has been enhanced. Finally, the program, particularly the social services component, has had mitigating effects on out-migration. Beneficiaries have indicated that if it were not for the improved living conditions they and many families from their communities would have already migrated to the U.S. and Europe.

By program completion at the end of FY 2008, the lives of more than 500,000 people along the Ecuador-Peru border will be improved as a result of USAID's assistance. More than 100 potable water systems and around 5,300 sanitary units will be constructed and/or repaired. Approximately, 200,000 hectares of land will be legalized, representing the largest contribution in the country to obtain legal security for ancestral territories of the Shuar indigenous people in the last 35 years.

US Financing in Thousands of Dollars

Ecuador

518-011 Southern Border Development	ESF
Through September 30, 2004	
Obligations	17,353
Expenditures	14,820
Unliquidated	2,533
Fiscal Year 2005	
Obligations	1,444
Expenditures	1,897
Through September 30, 2005	
Obligations	18,797
Expenditures	16,717
Unliquidated	2,080
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2006 NOA	
Obligations	990
Total Planned Fiscal Year 2006	
Obligations	990
Proposed Fiscal Year 2007 NOA	
Obligations	1,644
Future Obligations	1,644
Est. Total Cost	23,075

Data Sheet

USAID Mission:	Ecuador
Program Title:	Democracy and Conflict Prevention
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-012
Status:	Continuing
Planned FY 2006 Obligation:	\$990,000 DA; \$1,980,000 ESF
Prior Year Unobligated:	\$250,000 ESF
Proposed FY 2007 Obligation:	\$0
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2006

Summary: The Democracy and Governance (DG) program supports U.S. government efforts to promote and strengthen democracy through justice sector reform, anti-trafficking in persons, decentralization and local governance and support for free, fair and inclusive elections. Through these efforts, USAID is helping develop the building blocks and constituencies for democracy and good governance. Ecuador is one of the countries in the Latin America and Caribbean Region (LAC) where public confidence in democracy and government institutions is lowest. The DG program aims to reverse this trend with focused assistance in areas of greatest potential and by leveraging private sector, the Government of Ecuador (GOE), and other donor resources for greater impact.

Inputs, Outputs, Activities:

FY 2006 Program:

Reduce Trafficking In Persons (\$250,000 FY 2005 ESF Carryover). Building on program achievements and recommendations from an assessment, USAID is expanding its Trafficking in Persons (TIP) program to help GOE implement its national anti-trafficking plan through prevention, prosecution, and protection (rescue, rehabilitation, and re-integration) in targeted geographic areas. Activities include coordination mechanisms between local governments and civil society; assistance to victims; training for local officials, police and judges on the application of TIP related legislation and ordinances and public outreach campaigns. Principal implementers: To be determined through a competitive process.

Strengthen Civil Society (\$1,400,000 ESF). USAID supports domestic NGO observation of the 2006 national elections including access for persons with disabilities, civic and voter education campaigns, public debates with candidates, quick vote counts, and NGO monitoring of campaign spending and enforcement of electoral laws. USAID is consolidating the leadership training of Participacion Ciudadana's (PC) (provincial leaders and their counterpart youth coordinators) in 22 provinces to develop the next generation of civic leaders. In addition, PC will analyze the results of the National Democratic Values Survey (NDVS) and similar measures of socio-economic and political factors affecting or contributing to citizen support for democracy and organize focus groups to discuss major issues to orient national and local policies. These initiatives will serve to: expand the use of the rich data generated by the NDVS surveys; gather local information in each province to be utilized in the implementation of PC's activities, including communication products, analyses, and events with public elected officials and candidates; and enhance PC's capacity to conduct public opinion surveys that could be offered to cooperating agencies and the private sector to strengthen PC's financial sustainability. USAID will also support civic education campaigns on democratic values and practices, involving citizens, especially youth, and accountability by elected officials. Principal implementer: Participacion Ciudadana.

Strengthen the Justice Sector (\$990,000 DA; \$380,000 ESF). USAID continues to provide

technical assistance to consolidate the results achieved in the implementation of the accusatory criminal justice system. This includes training for judges, prosecutors, public defenders, judicial police, lawyers, law faculties and bar associations in order to develop a cadre of experts to implement the accusatory system. At the local level, the program will expand its pilot model to two additional cities. Subject to political will from key judicial institutions (Supreme Court, Prosecutor General Office, Public Defender), the program may also assist the National Commission for Criminal Justice Reform and the National Judicial Council to design and implement comprehensive administrative and procedural reforms. USAID is expanding support to five legal service offices providing training, technical assistance and implementation of a case tracking system, enhancing their capacities for service delivery and sustainability. USAID uses ESF funds to replicate civil society oversight of judicial performance and independence in the administration of justice at the local level in two additional cities. USAID supports civil society and the judiciary's efforts to formulate, disseminate, and implement the Access to Public Information Law, Public Defender Law, and reforms to the CPC. This program component also promotes the institutional and financial sustainability of the local implementer; and the continuity of the justice reform efforts. Principal implementers: Fundacion Esquel and others to be determined through a competitive process.

Support Democratic Local Government and Decentralization (\$200,000 ESF). USAID is phasing out of its current municipal strengthening programs and designing a new program to advance local governance and decentralization, and support local economic development. USAID is contracting an assessment of its local governance programs and a design of a new program in this area. Principal Implementer(s): To be determined through a competitive process.

FY 2007 Program:

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

Performance and Results: USAID's FY 2005 program continued to make important contributions to devolve authority and decision making to local authorities, and develop more pluralistic and participatory democratic practices at the local level. Citizen participation processes were consolidated in 31 local governments, while citizen oversight mechanisms monitored targeted service improvement in 28 local governments. A graduate program in local government management was inaugurated in four universities in CY 2005; over 100 students are now enrolled. A pilot was launched to assist the lower courts and the Prosecutor's Office to implement the new accusatory system. The program also financed eight legal clinics in six cities where 3,609 indigent defendants received legal counseling and defense services. More than 1,000 victims of trafficking, sexual abuse and domestic violence received psychological and medical care or legal services. USAID supported NGOs helped organize peaceful citizen responses to the political crisis in Ecuador protesting the dismissal of the Supreme Court, the Constitutional Tribunal and the Electoral Tribunal. USAID also supported an oversight network (Veeduría) that helped implement a transparent and participatory process to select a new Supreme Court. The 2007 program will promote local economic development to support economic growth.

By the end of the DG program in September 2007, the local government program will have consolidated citizen participation processes in 35 local governments, civil oversight and monitoring processes will have become institutionalized in 30 local governments, and 30 local governments will have improved basic services. The graduate level program will have no fewer than 100 students trained in basic theory and practice criteria. Pilot programs to advance the accusatory justice system will be implemented in three cities; reforms to the Criminal Procedures Code will be widely disseminated to justice sector actors, implementation of the Public Defenders Law will begin; and civil society oversight of judicial performance will help citizens to be more involved in judicial reform. Anti-trafficking in persons interventions will help Ecuador move out of Tier III classification.

US Financing in Thousands of Dollars

Ecuador

518-012 Democracy and Conflict Prevention	DA	ESF
Through September 30, 2004		
Obligations	6,812	30,226
Expenditures	6,593	20,427
Unliquidated	219	9,799
Fiscal Year 2005		
Obligations	0	6,867
Expenditures	163	6,397
Through September 30, 2005		
Obligations	6,812	37,093
Expenditures	6,756	26,824
Unliquidated	56	10,269
Prior Year Unobligated Funds		
Obligations	0	250
Planned Fiscal Year 2006 NOA		
Obligations	990	1,980
Total Planned Fiscal Year 2006		
Obligations	990	2,230
Proposed Fiscal Year 2007 NOA		
Obligations	0	0
Future Obligations	0	0
Est. Total Cost	7,802	39,323

Data Sheet

USAID Mission:	Ecuador
Program Title:	Northern Border Development
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-013
Status:	Continuing
Planned FY 2006 Obligation:	\$11,425,000 ACI
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$0
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2006

Summary: The Northern Border program supports U.S. government efforts to contain the spillover effects of the Colombian conflict into Ecuador. Spillover threats include spread of the coca/cocaine economy in all its manifestations from coca production/processing, transshipments of chemicals and finished products, to money laundering; to increased paramilitary-guerrilla violence with resulting increased flows of refugees and displaced persons into and through Ecuador. While coca production remains minor, other elements of the coca/cocaine economy, particularly trafficking in precursors, processed cocaine, money laundering and narcotics related crimes are expanding throughout the country. The collective result is weakening the already fragile national and local democratic institutions. The Northern Border program aims to strengthen state and local presence by developing and enhancing a more licit social, economic and political environment in the region. A major public diplomacy and communications effort is also a key part of the program.

Inputs, Outputs, Activities:

FY 2006 Program:

Develop and Expand Alternative Development (\$11,425,000 ACI). The program will be implemented through the following sub-components:

Social Infrastructure and Local Governance Improvement (\$7,300,000 ACI): The program finances construction and/or rehabilitation of some 20 water and sanitation systems across six Northern provinces, serving approximately 25,000 beneficiaries. Emphasis on sustainability of the existing infrastructure will include comprehensive training of the 70 Community Water Boards and 11 municipal water administration units in operations, maintenance, and tariff collection. USAID continues to assist targeted municipalities to improved service delivery; transparency and accountability through citizen oversight committees; participatory budgeting; and improved management systems. This assistance is being extended to include San Lorenzo and several other Northern Border municipalities. Anti-Trafficking in Persons activities will be expanded to six new municipalities. Interventions will increase awareness among the public and decision makers and improve enforcement of sanctions at the local level. Principal implementer: International Organization of Migration (IOM).

Productive Infrastructure and Licit Productive Activities (\$4,025,000 ACI) USAID supports productive infrastructure activities which complement agricultural production and marketing. This includes the construction of two roads, an irrigation system, and nine bridges that will benefit more than 9,000 people. The agricultural programs in cacao, coffee and horticultural products are being evaluated to measure the benefits of productive activities to increasing income and jobs. Principal Implementers: IOM and others to be determined competitively.

Communication and Public Diplomacy (\$100,00 ACI) USAID will support an innovative United

States and Ecuadorian public media campaign "Juntos" ("Together") activity which promotes the northern border region as an area of economic development opportunities. This activity will be conducted through a series of national and regional outreach activities, including fairs, exhibits and conferences. USAID funds public relation events that include radio and television campaigns, billboards, special publications, public education, and outreach initiatives will be funded. In addition, cultural activities, musical projects and links with regional universities will be conducted. Principal Implementers: IOM and others to be determined competitively

FY 2007 Program:

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

Performance and Results: The program made significant improvements in the lives of more than 100,000 poor, indigenous and Afro-Ecuadorian citizens, thus maximizing regional impact and helping improve local democratic conditions that contributed to national security and stability. With USAID assistance, 35 water systems, eight sewerage systems and 11 bridges have been built and/or repaired during FY 2005. Around 7,706 families' livelihoods were significantly improved by an income increase from \$428 to \$731 in one year, through better agricultural and marketing practices, helping contain the migration trend. The October 2005 Democratic Values Survey (Seligson/CEDATOS) of the five municipalities where USAID has concentrated its efforts (Cascales, Putumayo, Lago Agrio, Joya de los Sachas and Eloy Alfaro) revealed very positive results. Satisfaction with municipal services increased from 44.4% to 52%; and trust in local government increased from 32.4% to 42.2%, both surpassing program targets. Additionally, during FY 2005 more than 14,000 new hectares have been devoted to licit agricultural crops. The innovative public information media campaign "JUNTOS" launched this year succeeded in identifying Northern Border efforts as positive contributions by the United States and Ecuador governments.

By the end of the program in September 2007, significant improvements in confidence and legitimacy of local governments along the border will be realized, with the construction of more than 200 sustainable social and productive infrastructure projects; and dozens of local and municipal water authorities strengthened. More than 10,000 new licit jobs will be created, directly benefiting more than 12,000 families, increasing their income by 77% in three years. Additionally, Trafficking in Persons (TIP) initiatives in the area of prevention will have taken hold in at least eight municipalities of the Northern Border.

US Financing in Thousands of Dollars

Ecuador

518-013 Northern Border Development	ACI	ESF
Through September 30, 2004		
Obligations	40,802	8,000
Expenditures	20,052	8,000
Unliquidated	20,750	0
Fiscal Year 2005		
Obligations	14,596	0
Expenditures	18,730	0
Through September 30, 2005		
Obligations	55,398	8,000
Expenditures	38,782	8,000
Unliquidated	16,616	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2006 NOA		
Obligations	11,425	0
Total Planned Fiscal Year 2006		
Obligations	11,425	0
Proposed Fiscal Year 2007 NOA		
Obligations	0	0
Future Obligations	0	0
Est. Total Cost	66,823	8,000

Data Sheet

USAID Mission:	Ecuador
Program Title:	Economic Opportunities
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-014
Status:	Continuing
Planned FY 2006 Obligation:	\$990,000 DA; \$990,000 ESF
Prior Year Unobligated:	\$269,000 DCA
Proposed FY 2007 Obligation:	\$0
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2006

Summary: Program targets are to reduce rural and urban poverty through a two pronged approach that enhances participation in global trade and investment and improves private sector competitiveness of small and medium businesses with emphasis in rural areas.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Private Sector Competitiveness (\$250,000 DA; \$740,000 ESF; \$269,000 DCA FY 2004 Carryover). USAID provides technical assistance to selected industry clusters that have a competitive advantage to produce and market goods and/or services for domestic and/or export markets. USAID measures the changes in income, increase in market shares and job creation for these pilot activities. It is expected that exports will increase at least 10% over the baseline. The program identifies buyers to broker deals with producers, tapping new market outlets, such as supermarkets and wholesale buyers, to by-pass traditional middlemen. Technical assistance will be provided to medium, small, and micro-businesses to adapt their products to the requirement of the buyers. USAID funds pilot programs in specific sectors to assist the process of reconversion and/or adaptation to changing market demands, in response to an enhanced free trade environment. USAID supports a financial guarantee with a commercial bank for rural sector activities and provides technical assistance to selected financial intermediaries to develop financial products for small producers in rural areas.

Increase Trade and Investment (\$740,000 DA; \$250,000 ESF). USAID is supporting Ecuador's efforts to ratify and comply with the Free Trade Agreement (FTA). Once the Agreement is approved USAID will provide technical assistance to implement and adapt laws and institutions to meet FTA's terms and train government officials on the new rules of free trade. Priority will be given to labor, intellectual property rights, technical barriers to trade, and sanitary and phytosanitary standards. Compliance with environment standards will also be a priority. Technical assistance to reform customs will be provided and USAID will work with sectors that may be adversely affected by FTA. USAID will support government efforts to increase competitiveness in sectors where Ecuador has the potential to participate successfully in an open market. If the FTA is not signed, USAID will continue to promote trade, application of World Trade Organization (WTO) standards, strengthening of trade related institutions and eliminating barriers to investment. USAID uses ESF funds to help farmers convert to more competitive products to increase income and employment. Also with ESF funds, USAID is promoting debate and supports local and private institutions efforts to push for structural reforms in the electrical, telecommunication, and oil sectors. Inefficiencies in these sectors create major obstacles for investment and private sector development.

FY 2007 Program:

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

Performance and Results: Despite significant macroeconomic accomplishments, the continued instability of the Government of Ecuador (GOE) and the lack of clear leadership and decision making slowed full achievement of results in FY 2005. However, tax revenue collection stayed high at 11.2% of the Gross Domestic Product. USAID has assisted the GOE to improve the Ministry of Economy and Finance's (MEF) administrative activities by providing support for the standardization of human resources information and the implementation of computer systems. USAID provided technical assistance that has facilitated Ecuador's participation in FTA negotiations.

The program also has been successful in the financial sector. The new Credit Bureau Law passed which strengthens and provides legal stability to six private credit bureaus. The Private Credit Bureaus will ensure that funds are lent to creditworthy borrowers, making it more difficult to continue with the cronyism lending system that still exists in Ecuador and caused the financial collapse in 1999. A new Money Laundering Law was signed by the President to detect, prevent, and sanction money laundering activities. New norms for the insurance sector were issued. The 24 financial intermediaries assisted by USAID now have 230 branches that provide financial services to micro-enterprises. The number of their clients increased significantly from 113,703 in 2001 to 385,450 in 2005 and savers reached 606,115, exceeding planned targets for 2005. The portfolio at risk of more than 30 days declined from the baseline of 6.49% in 2001 to 2.67% in September 2005. This compares favorably with the overall 7.1% average for Ecuador's regulated microfinance industry. A network of cooperatives has established a system of shared branching; currently 13 credit unions sharing 92 branches.

By program completion, selected GOE institutions will have modern administration systems and procedures, and the FTA requirements will be met. Additionally, at least 30% of the micro-enterprises in Ecuador will have access to financial services.

US Financing in Thousands of Dollars

Ecuador

518-014 Economic Opportunities	DA	DCA	ESF
Through September 30, 2004			
Obligations	5,354	884	15,625
Expenditures	4,042	237	8,131
Unliquidated	1,312	647	7,494
Fiscal Year 2005			
Obligations	1,950	346	4,520
Expenditures	1,253	583	5,131
Through September 30, 2005			
Obligations	7,304	1,230	20,145
Expenditures	5,295	820	13,262
Unliquidated	2,009	410	6,883
Prior Year Unobligated Funds			
Obligations	0	269	0
Planned Fiscal Year 2006 NOA			
Obligations	990	0	990
Total Planned Fiscal Year 2006			
Obligations	990	269	990
Proposed Fiscal Year 2007 NOA			
Obligations	0	0	0
Future Obligations	0	0	0
Est. Total Cost	8,294	1,499	21,135

Data Sheet

USAID Mission:	Ecuador
Program Title:	Democratic Governance and Local Development
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-XX1
Status:	New in FY 2007
Planned FY 2006 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$2,000,000 CSH; \$1,000,000 DA; \$2,178,000 ESF
Year of Initial Obligation:	2007
Estimated Year of Final Obligation:	2012

Summary: The Democratic Governance and Local Development program will build upon current programs and support USG efforts to further democracy in Ecuador by reinforcing key trends associated with deepening of democracy, e.g. efforts to build legitimacy of public institutions, particularly at the local level, and to counter trends that threaten the democracy consolidation process: corruption, lack of personal security, and political instability. The program will focus on two sectors: Support Democratic Local Governance and Development, and Strengthen Civil Society.

Inputs, Outputs, Activities:

FY 2006 Program:

There are no activities planned.

FY 2007 Program:

Strengthen Civil Society (\$1,100,000 ESF). USAID will support the locally targeted efforts of civil society organizations (NGOs, professional business associations, trade unions, community development and self-help groups) to improve their capacity to make key policy contributions, consolidate effective oversight and transparency practices, enhance accountability of elected officials, and management of public funds. Civil society organizations will contribute to the improved regulatory environment at the local level by overseeing judicial institutions and helping to formulate concrete actions that enhance the legal environment, alternative dispute resolution and community mediation. To increase public participation and to prepare future local leaders, USAID will support civic education campaigns to re-introduce civic values and ethics codes in schools, local governments, businesses, and professional and civic associations. The program will support the 2008 local elections by sponsoring events to discuss candidates' economic development plans, and their compliance with campaign financing and other electoral laws. Finally, USAID will support the development, discussion and analysis of local opinion polls to generate better understanding and debate of key issues. Prime implementers: To be determined through a competitive process.

Support Democratic Local Government and Decentralization (\$2,000,000 CSH; \$1,000,000 DA; \$1,078,000 ESF): Support will include strengthening local government management and service delivery, and in coordination with the new Alternative Development and Natural Resources, Trade and Competitiveness programs, improve local regulatory conditions, infrastructure and incentives for local economic growth. USAID will work with the central government, other donors, NGOs, and the private sector to leverage resources and investments necessary to further decentralization and promote local economic growth. USAID will use ESF funds to support, at the local level, the development of economic pilot programs to improve the regulatory and investment

environment, so that existing enterprises can expand and new businesses are attracted to these municipalities. As a result of this effort, new jobs will be created, incomes will increase and the tax base will be expanded and will also increase. This increase in tax revenues will further stimulate the municipalities to provide the necessary infrastructure to promote more business development as well as to provide better service to residents.

USAID will also fund technical assistance and training to strengthen the capacity of local governments to coordinate and improve child and maternal health service delivery, and to expand and implement a Direct Observation Treatment Strategy (DOTS) for tuberculosis. USAID may also support the development of a tuberculosis surveillance system, in coordination with The Global Fund Tuberculosis Grant for Ecuador.

USAID plans to implement education activities that will focus on: supporting alternative/municipal-run primary schools, particularly in literacy and math; improving the quality and opportunities for primary teacher training; and developing democratic values curricula and dissemination materials thru primary schools. Prime implementers: To be determined through a competitive process.

Performance and Results: By the end of the program expected results include: innovative pilot experiences of effective, participatory, transparent decentralized governance will have been completed and replicated; new municipalities and provincial governments will have assumed decentralized functions and be providing effective services; citizen satisfaction with public services and governance will have increased by 15%, as measured by public opinion polls; civil society models to oversee democratic processes and institutions will have been institutionalized in at least 50 cities; and models for promoting local economic development will have been developed, tested and replicated.

US Financing in Thousands of Dollars

Ecuador

518-XX1 Democratic Governance and Local Development	CSH	DA	ESF
Through September 30, 2004			
Obligations	0	0	0
Expenditures	0	0	0
Unliquidated	0	0	0
Fiscal Year 2005			
Obligations	0	0	0
Expenditures	0	0	0
Through September 30, 2005			
Obligations	0	0	0
Expenditures	0	0	0
Unliquidated	0	0	0
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2006 NOA			
Obligations	0	0	0
Total Planned Fiscal Year 2006			
Obligations	0	0	0
Proposed Fiscal Year 2007 NOA			
Obligations	2,000	1,000	2,178
Future Obligations	0	0	0
Est. Total Cost	2,000	1,000	2,178

Data Sheet

USAID Mission:	Ecuador
Program Title:	Alternative Development Program
Pillar:	Democracy, Conflict and Humanitarian Assistance
Strategic Objective:	518-XX2
Status:	New in FY 2007
Planned FY 2006 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$8,400,000 ACI
Year of Initial Obligation:	2007
Estimated Year of Final Obligation:	2012

Summary: Poverty, historic neglect, limited government presence and being situated between two of the world's leading coca/cocaine producing countries, make Ecuador particularly vulnerable to the multiple risks and impacts of a growing coca/cocaine economy. Threats to Ecuador, particularly its border areas, include: increased trafficking in precursors and narcotics and coca cultivation; increased paramilitary-guerilla violence and narcotics related crime; enlarged flows of refugees and displaced persons; money laundering and increased problems of trafficking in persons. These threats jeopardize democratic stability, and are anathema to U.S. government interests. Structural factors that keep Ecuador's underdeveloped fragile democratic institutions, weak state presence, and the government's inability to enforce laws and protect rights, especially in the far reaches of national territory exacerbate these threats. An economy characterized by low productivity, weak competitiveness and high unemployment resulting in at least two-thirds of the population living in poverty make the challenges even greater. Building on successful results of the Northern Border Strategy, 2001-2006, local government service delivery, outreach and management will be strengthened, aiming to increase citizen satisfaction and stability through good governance, increased/improved social infrastructure, and local economic development. The effectiveness of this approach has been demonstrated through surveys that confirm significant increases in citizen satisfaction and trust in local governments (a key indicator of a stable democracy). Increases of satisfaction and trust of 20 percent or more were achieved in five northern border municipalities. USAID's preventive alternative development program, focused on the northern border region, will combine democratic local governance and local economic development. The program will aim to strengthen state presence and community structures by developing and enhancing a more legitimate social, economic and political environment in the region.

Inputs, Outputs, Activities:

FY 2006 Program:

There are no activities planned.

FY 2007 Program:

Develop and Expand Alternative Development (\$8,400,000 ACI). USAID will support local government service delivery, such as water and sanitation. Outreach and management will be strengthened to increase citizen satisfaction and stability through good governance, increased/improved social infrastructure, and economic development. These efforts will be concentrated in the six Northern Border (NB) provinces. Support for local governance strengthening will be directed to local governments (municipalities and village councils) where political commitment is evident, and sustainability can be attained. This will be a priority in approximately 25 NB local governments where initial successes using these criteria have been achieved. The program will target traditionally marginalized sectors of the population (indigenous, Afro-Ecuadorian, women, disabled, refugees and victims of trafficking), supporting their local

organizations to ensure their role in decision making and benefit sharing. Outputs include increased citizen trust and effective participation in the governance process. Principal implementers: To be determined through a competitive process.

USAID will fund local economic development activities that build upon the results achieved through 2006 from USAID's support to key agricultural clusters in the NB region, mainly cacao, coffee, broccoli and avocado. USAID will enhance licit business opportunities and employment by improving the local business climate and competitiveness, market linkages and trade opportunities. These opportunities will be greatly improved by the anticipated approval and implementation of a Free Trade Agreement (FTA) with the United States. The FTA offers Ecuadorian businesses an opportunity to expand access of local products already entering the US market and to develop niche markets for new products. Technical assistance and training will be provided with an emphasis on strengthening the competitive positioning of businesses, securing profitable market shares for sustainable products, developing entrepreneurial skills, and strengthening business management. Just as models of successful results in local governance will be developed, the aim here is to produce sustainable models of local economic growth with equity. Principal implementers: To be determined through a competitive process.

Performance and Results: By program completion, at least 25 local governments in the NB provinces will have achieved one or more of the following results: institutionalized citizen participation and oversight procedures; assumed decentralized functions; promoted viable licit employment alternatives to the drug economy; improved basic social infrastructure; addressed Trafficking in Persons' issues and best practices that can be replicated in Ecuador.

US Financing in Thousands of Dollars

Ecuador

	ACI
518-XX2 Alternative Development Program	
Through September 30, 2004	
Obligations	0
Expenditures	0
Unliquidated	0
Fiscal Year 2005	
Obligations	0
Expenditures	0
Through September 30, 2005	
Obligations	0
Expenditures	0
Unliquidated	0
Prior Year Unobligated Funds	
Obligations	0
Planned Fiscal Year 2006 NOA	
Obligations	0
Total Planned Fiscal Year 2006	
Obligations	0
Proposed Fiscal Year 2007 NOA	
Obligations	8,400
Future Obligations	8,400
Est. Total Cost	16,800

Data Sheet

USAID Mission:	Ecuador
Program Title:	Natural Resources, Trade and Competitiveness
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	518-xx3
Status:	New in FY 2007
Planned FY 2006 Obligation:	\$0
Prior Year Unobligated:	\$0
Proposed FY 2007 Obligation:	\$4,644,000 DA; \$2,178,000 ESF
Year of Initial Obligation:	2007
Estimated Year of Final Obligation:	2012

Summary: The objective of this program is to promote environmental conservation simultaneously with sustainable economic growth. Ecuador is a resource-rich country with globally important ecosystems and competitive opportunities in global markets. USAID will assist Ecuador to develop its unique advantages in ways that benefit indigenous, rural, and other disadvantaged people. This work will support the bilateral Free Trade Agreement (FTA) currently being negotiated by Ecuador and the United States, by promoting access to free trade opportunities and mitigating potential negative consequences of increased trade. Specifically, this program will: improve public institutions and participation in the conservation of large blocks of globally important lands and waters, principally in protected areas and indigenous territories; engage the private sector, such as landowners and tourism operators, in conservation and watershed management programs; and enhance participation in global trade and investment, especially by meeting international standards; improve private sector competitiveness of small and medium businesses, especially for environmentally sound, income-generating activities such as agro-forestry, ecotourism, and organic products for the export market. USAID will assist government, business, and non-governmental organizations to be more entrepreneurial, by identifying competitive advantages, reducing costs, and positioning themselves in international markets. If an FTA is not signed, the program will still focus on strengthening trade related institutions, eliminating barriers to investment, and environmental conservation activities that benefit local communities.

Inputs, Outputs, Activities:

FY 2006 Program:

There are no activities planned.

FY 2007 Program:

Improved Private Sector Competitiveness (\$300,000 DA; \$1,590,000 ESF). USAID will increase productivity and growth of businesses, especially in rural areas, by eliminating obstacles from production to sale. USAID will provide technical assistance to increase the competitiveness of the private sector (small, medium, micro and rural businesses) in selected industries and clusters. This program will emphasize environmentally sound income generating activities such as agro-forestry, ecotourism, sustainable land use, and organic products for the export market. USAID will help these businesses develop contacts with foreign buyers and investors interested in joint ventures, which will increase production and sales. USAID will also provide assistance to private entrepreneurs to meet regulatory and market standards and certification and phytosanitary requirements needed to attract buyers and meet market demands. Principal implementers: To be selected on a competitive basis.

Improve Sustainable Management of Natural Resources and Biodiversity (\$3,344,000 DA). USAID will improve the sustainable management of natural resources and biodiversity in Ecuador through conservation of large, biologically important protected areas and indigenous territories.

USAID will support the consolidation of national protected areas, which cover 19% of the Ecuador's continental area, plus the Galapagos National Park and Marine Reserve. These remarkable areas harbor most of the country's biodiversity. USAID will also support the efforts of municipal governments and private landowners to manage their own protected areas. Activities will focus on technical and financial assistance to overcome fundamental challenges, including insufficient local participation, administrative weaknesses, and lack of sustainable financing.

The other strategic area for USAID intervention is indigenous territories, which cover approximately 20% of Ecuador. In these areas, USAID will provide technical and financial assistance to address the key challenges facing indigenous groups: insecure tenure, weak institutions, and poverty resulting from inadequate economic opportunities. Indigenous peoples are among the most vulnerable and poor of all Ecuadorians. They are key allies not only in conserving their lands, but also because of their demonstrated commitment to contain the spread of narcotrafficking.

USAID will address the underlying impediments to the sound management of these areas, including weak institutions that suffer from poor governance, limited public participation, and lack of sustainable financing as well as insufficient benefits flowing to local communities from the management of these areas. To create local economic and livelihood benefits, USAID will place special emphasis on: water supplies originating in protected areas, for urban and rural users, hydropower; agriculture; and tourism. Ecuador's biodiversity gives it a comparative advantage in tourism and the potential to increase the benefits from this sector are significant. International tourism accounted for \$680 million in 2004 and most international tourists visit at least one park, such as the Galapagos. USAID's program will include activities to foster joint ventures that benefit local communities, private operators, and conservation efforts.

This work will also support environmental cooperation between the United States and Ecuador under the bilateral FTA and associated Environmental Cooperation Agreement (ECA), currently being negotiated. USAID will assist Ecuadorian institutions charged with implementing, monitoring, and adjudicating the ECA in order to foster transparency, technically sound decisions, and public participation (including access for indigenous groups and other minorities). The program will support key priorities in the ECA: conservation and sustainable use of biodiversity, voluntary mechanisms to improve environmental management, (including partnerships with local communities, businesses, and NGOs), and effective enforcement of laws and regulations.

Principal implementers: To be selected on a competitive basis.

Increase Trade and Investment (\$1,000,000 DA; \$588,000 ESF). USAID will increase trade opportunities by supporting the implementation of the FTA. Labor, intellectual property rights, technical barriers to trade and sanitary and phytosanitary standards will be priorities for this program. The program will monitor these legal and regulatory changes and track how they result in actual trade increases. Customs reform is also critical and a limited program may be continued, depending on Government commitment. USAID will use ESF funds to continue helping vulnerable sectors adjust to and benefit from a more open, global economy will also continue. ESF funds will fund an analysis of structural barriers to competitiveness in the economy, such as electricity, telecoms, and the oil sector. Inefficiencies in these sectors create major obstacles for investment and private sector development. Principal implementers will be selected on a competitive basis.

Performance and Results: By the end of the program, Ecuador's globally important protected areas will be more financially sustainable, have more participative management, and will provide more local benefits (e.g., in tourism revenues and access to clean water). Indigenous federations will have resolved territorial conflicts, enforced boundaries, and have 1.2 million hectares under their control. The livelihoods of members of these federations will improve significantly through the successful development of economic alternatives.

USAID will support, monitor and report on the FTA implementation, treaty requirements and business alliances that leverage resources and provide access to markets and technology. Ecuador will develop into a full trading partner, implementing international trade agreements, penetrating new international and regional markets with competitive products.

US Financing in Thousands of Dollars

Ecuador

518-xx3 Natural Resources, Trade and Competitiveness	DA	ESF
Through September 30, 2004		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Fiscal Year 2005		
Obligations	0	0
Expenditures	0	0
Through September 30, 2005		
Obligations	0	0
Expenditures	0	0
Unliquidated	0	0
Prior Year Unobligated Funds		
Obligations	0	0
Planned Fiscal Year 2006 NOA		
Obligations	0	0
Total Planned Fiscal Year 2006		
Obligations	0	0
Proposed Fiscal Year 2007 NOA		
Obligations	4,644	2,178
Future Obligations	0	0
Est. Total Cost	4,644	2,178